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Department
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Office of the
Assistant Secretary for
International Affairs
Office of International
Investment

Attached is the final version of the CFIUS report on Renault's increased investment in Mack Trucks. It contains minor revisions that were requested by Transportation and Justice. No agency had problems with the investment.

Attachment

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RENAULT-MACK TRUCKS

Renault, owned by the French Government, recently increased to 20 percent from 10 percent its minority holdings in Mack Trucks, Inc. It did this by converting its holdings of \$65 million of Mack convertible debentures (acquired in 1979) into the additional Mack common stock. In a possibly related matter, managements of The Signal Companies, Inc., Mack Truck's majority owner, and Wheelabrator-Frye, Inc. have proposed that they merge. The merger is still subject to shareholder approval. There are rumors that, if the proposed merger takes place (tentatively scheduled for February 1983), Signal may sell-off its 80 percent holdings in the loss-making Mack Trucks.

The Committee on Foreign Investment in the United States previously reviewed Renault's relationship with the French Government, in connection with Renault's proposed investment in the U.S. auto manufacturer, AMC, in 1979. At that time, CFIUS received assurances from the French Government that Renault operated like a private company and made investment decisions based upon commercial considerations.

The Justice Department staff recently reviewed Renault's increase in ownership of Mack Trucks and did not see a competition problem arising from the increased investment. Moreover, the Transportation Department staff reviewed the investment and reported that the increase in Renault ownership is part of an evolving pattern of foreign investment in the U.S. heavy truck and bus industry.

The Companies(1) Renault

Regie Nationale des Usines Renault ("Renault"), the eighth-largest industrial firm in Europe, is the largest truck and the second largest auto manufacturer in France. In addition to being a vertically integrated truck and car manufacturer, the firm also produces farm equipment, marine and industrial engines and machine tools. France nationalized Renault in 1945, as punishment for the firm's alleged collaboration with German occupiers during World War II.

A large multinational firm, Renault had \$17.7 billion in sales and 230,000 employees in 1980. The company has investments in Europe, North and Latin America, Africa, Asia and Australia.

- 2 -

One investment is a 15 percent holding in the Volvo car subsidiary, which is controlled by Volvo A.B. (Sweden). However, the Volvo car subsidiary has not invested in the United States.* In the United States, Renault owns 46 percent of AMC and 49 percent of Cybotech Corp. (robot systems), in addition to Mack Trucks, Inc.

(2) Mack Trucks, Inc.

Mack Trucks Inc., with assets of about \$985 million, manufactures heavy-duty trucks and truck tractors. The company has suffered from declining sales in recent years and in fact 1981 sales at \$1,526 million were at a four year low.

Mack is the exclusive distributor in the United States, Canada, and certain Central American and Caribbean countries of Renault's medium-duty diesel trucks. Also, Mack engineers and builds its own trucks to meet the requirements of the specific industries in which they are used. As an integrated manufacturer, Mack builds all the major components and a substantial number of the other components for most of its trucks.

Mack has foreign subsidiaries in Australia, Canada and Bermuda.

Transportation Policy

At our request, the Department of Transportation staff analyzed and submitted comments (attached) on the recent increase in ownership of Mack Trucks by Renault. DOT reports that the increased investment by Renault is part of an evolving pattern in which European and Japanese firms are making inroads into the U.S. heavy truck and bus industry. Since Renault is relatively weak in commercial vehicles, DOT believes that Renault in the future may wish to expand its holdings and influence of Mack. DOT suggests that the most significant effect on Mack from Renault's increased ownership could perhaps be a decision to build some components (or assemble whole vehicles) in France rather than in the United States.

Competition Policy

The staff of the Antitrust Division of the Justice Department does not see a competition problem arising from Renault's increased ownership of Mack Trucks. There is no direct competition in the U.S. between the two firms. Mack is a significant manufacturer and seller of heavy and very

* While Volvo Car has not invested in manufacturing facilities in the United States, another subsidiary of Volvo A.B., Volvo Truck (which is not owned by Renault), bought the truck manufacturing assets of the bankrupt U.S. manufacturer, White Motor Company.

- 3 -

large trucks, while Renault's production is largely concentrated on smaller trucks. Renault does make some very large trucks in Europe, but they are a minor part of its output there and have not been sold in the U.S. Furthermore, Renault does not control Mack Trucks, since The Signal Companies, Inc. owns 80 percent of Mack's common stock. Also, there is no evidence that Renault possesses any unique advantages in terms of future entry into the U.S. market for very large trucks.